

National Sports Fund - 2017

The audit of financial statements of the National Sports Fund for the year ended 31 December 2017 comprising the balance sheet as at 31 December 2017 and the income and expenditure account, statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 25 (4) of the Sports Law No. 25 of 1973. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 14 (2) (c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub section (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the National Sports Fund as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Unexplained Differences

As per the financial statements, income of Diyagama Mahinda Rajapaksha sport complex for the year under review was Rs.5,158,385 and the income according to the monthly reports including income credit detail sent to the Ministry by the project manager of the sport complex was Rs.5,083,640, thus a difference of Rs.74,745 was observed.

2.3 Non- compliance with Laws, Rules and Regulations

Even though a report in respect of the administration of the Fund should be prepared by the Secretary to the Ministry as soon as possible after the each calendar year passed in terms of Section 25(2) of National Sports Law No. 25 of 1973, such a report had not been prepared for the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Fund for the year ended 31 December 2017 had been a deficit of Rs. 5,824,605 and the deficit of the preceding year against to that was Rs. 60,702,914 thus indicating a decrease by the deficit in the financial results in the year under review by Rs. 54,878,309. Decrease in the expenses of the rewarding ceremony for the players by Rs. 71,630,350, increase in interest on investments by Rs. 3,958,153, receive net income of Rs.1,289,478 from Diyagama Mahinda Rajapaksha sport complex for the year under review and the increase in grants by Rs. 9,500,000 had mainly attributed for the above decrease of the deficit.

4. Operating Review

4.1 Performance

Encouraging the sports in Sri Lanka, improve and develop them were the main objectives of the Fund and the legal provisions were made available to the Sports Fund for that by Section 22 of the Sports Law No.25 of 1973 of National State Assembly. The National Sports Fund is being functioned from the year 2007 by total supervision of the Secretary of the Ministry of

Sports. An Action Plan had not been prepared by the Secretary of the Ministry for the administration of the Fund and the activities of the Fund in respect of the year under review in terms of Section 25 (1) of Sports Law No. 25 of 1973.

4.2 Transactions of Contentious Nature

Even though a sum of Rs.4 million had been paid to a private swimming coacher (trainer) from the national sport fund during the year under review expressing that the training done for SAARC sports swimming squad in 2005/2006, the evidences such as, the agreement in between the ministry and the coacher, expenses report, bills, invoices had not been furnished to the audit for the verification the legality of the payment. In addition to the payment of Rs.4 million in the year under review in same way a sum of Rs.1.3 million had been paid in the year 2012 to this coacher out of the total expenses of Rs.5.3 million.

5. Accountability and Good Governance

5.1 Internal Audit

There was a revenue of Rs. 64 million and Rs. 70 million of total expenditure for the National Sports Fund during the year under review and the total of the assets belonged to the Fund at the end of the year under review was Rs. 164 million. Although an internal audit should be implemented in terms of Financial Regulations 133 accordingly, an internal audit unit had not been established for the Fund. Even though an internal audit unit had been established under the Ministry of Sports, attention had not been paid for an audit to be carried out in respect of the activities of the National Sports Fund .

5.2 Budgetary Control

Variances were observed from 14 per cent to 100 per cent relating to 11 items comparing the budgeted amount and the actual amount thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Control

Deficiencies in Systems and Control observed during the course of audit were brought to the attention of the Secretary to Ministry of Sports from time to time. Special attention is needed in respect of the following areas of control

Areas of Systems and Controls

Observations

(a) Budgetary Control

Existence of variances between budgeted income and expenditure, Actual income and expenditure

(b) Internal Audit

Non- conducting of Internal Audit.